FINANCIAL NEWS

W. R. Grace restaurant group reports increased net, flat sales

NEW YORK—W. R. Grace reported an $8.5 million net after-tax 1982 operating profit for its restaurant group, a sharp increase from 1981's $2.5 million. But sales for the group's 607 restaurants were relatively flat, up from $598 million to $634 million.

Net profits of the restaurant group were 2.7% of the corporation's reduced $319.5 million for 1982, while sales were 11% of a reduced $6.1 billion.

A spokesman for the Grace restaurant group attributed the profit gains partly to overhead savings achieved in a reorganization of Grace's Far West Services. One central staff was created out of two as Grace's coffee shops, Coco's and Jojos, were placed under a unified management.

"Strong performances" by Grace's El Torito-La Fiesta-Tequila Willie's restaurants and Gilbert/Robinson (Houlihan's) and "a positive contribution" by Del Taco were also reported.

Grace's report emphasized the creation of a new fast-food division headed by Lou Neeb. This division consists of Del Taco Mexican fast-food units "as well as several other fast-food concepts in the development stage," the report said.

Anwar Soliman, restaurant group chief executive, emphasized that Grace plans to become a fast-food leader.

Bonanza profits bounce back

DALLAS—Bonanza International, franchisor of 577 budget steakhouses, reported a profit of $835,000 for the year ended Dec. 26, 1982, compared with a loss of nearly $15 million the previous year.

Revenues for the year dropped 11% to $24.1 million, a decrease which president Jeff Rogers attributed to the shrinkage of the system from 688 units in 1980 and 630 in 1981 to the current number by the end of last year.

The company also acknowledged that its principal owner, Sam Wyly, is abandoning an attempt to revert to private ownership. Wyly, Bonanza's chairman of the board, withdrew his offer to buy out the outside shareholders—who own 46% of the company—with an 11%, $4 subordinated debenture for each share of common stock.

Bonanza's test of an Italian dinnerhouse concept has apparently produced satisfactory results. The company is now negotiating the sale of the concept, Pane Vino, People's Restaurants—itself another Bonanza spinoff.

The company also plans to develop a barbecue restaurant concept during the next few months. The first few units, a spokesman said, will be installed in closed Bonanza units.

He has often said Bonanza should improve the overall viability of its system by cracking down on franchisees who, in the company's belief, have allowed their standards to drop and thus are not contributing fully to the Bonanza system.

Horn & Hardart calls in debentures

NEW YORK—Horn & Hardart is calling in $35 million worth of convertible debentures to swap them for cash or stock.

By converting the debt to equity, the company will improve its balance sheet and save annual interest payments of $2.4 million after taxes.

Pizza Inn net jumps 22%; eyes overseas expansion

DALLAS—Pizza Inn, after boosting pretax earnings by 33% in 1982 with the help of a new deep-dish pizza item, has begun overseas expansion through licensees into the Far East and Persian Gulf regions.

Net profits for the company were up 22% to $1,701,000 for the year ended Dec. 26. Average unit sales rose by 12% during the year, when revenues totaled $140,539,000, up from $138,814,000 in 1981. Pizza Inn franchises about 54% of its 745 units operating in 32 states.

While domestic expansion in 1982 was nil, groundwork was being layed for development of up to 21 Pizza Inn units in Hong Kong and Guam over the next two years. An additional 20 units will be built over the same period in Kuwait, Saudi Arabia, Bahrain, Qatar and the United Arab Emirates, with the first two in the region scheduled to open this month.

F. J. Spillman, Pizza Inn's board chairman and president, further indicated that negotiations are currently under way with prospective licensees in Western Europe and Japan.

The exclusive licensing agreement with Top Enterprises Ltd. for Hong Kong and Guam was completed late last month, Spillman said. Earlier, Pizza Inn had concluded its deal with Alkazemi Food Co. for the Persian Gulf development.

Royalties to Pizza Inn from sales in the foreign outlets will be on a sliding scale of 4% from the initial units built, to 2% from additional units beyond an undisclosed number of stores.

Last year's fourth-quarter results showed significant gains for the company. Net earnings in the period were $476,000 on revenues of $34,942,000, compared to a net of $30,000 on revenues of $35,062,000 in 1981's closing quarter.

"Our earnings improvements result from the culmination of a number of programs directed at improving product quality, developing stronger management, maximizing efficiencies and broadening consumer appeal," Spillman said. He indicated menu price hikes had been held to about 2%-3% last year, translating into a real sales gain in the range of 9%-10%.

"Improved operating efficiencies are principally responsible for a reduction in cost of goods as a per cent of total revenues," said Spillman. "Consumer acceptance of our new 'Pizza Inn Pan Pizza' has been exceptional," he added.

Sales from the new product already account for approximately 37% of total sales.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Pillsbury Co.	13 wks. 9 mos.	2/28	$903.900 2.695B	9.8 8.6			$ 29.100 85.400	8.1 (11.8)
Chi-Chi's Inc.	13 wks. 9 mos.	1/31			$ 24.612 68.803	95.0 108.9	2.069 6.495	209.3 109.3
Shoney's Inc.	16 wks.	2/20			108.370	25.9	5.142	4.2
Southern Hosp.	13 wks. 6 mos.	2/28			6.480 18.733	33.6 27.2	$181,618 $596,114	151.3 149.6
Hungry Tiger Inc.	12 wks. 24 wks.	2/18	12.999 25.616	6.5 5.5			$459,000 $585,000	(2.3) (30.0)
La Quinta Motor Inns	13 wks. 9 mos.	2/28			24.507 82.839	5.3 10.7	1.675 9.956	(26.5) 17.5
Esteban's Mex. Foods	12 mos.	12/25	6.896	31.0			($505,670)	
Morrison Inc.	13 wks. 39 wks.	2/26			104.144 310.992	15.5 17.5	4.468 13.079	22.1 20.6

Source: *Company earnings reports*

—loss in corresponding period
**In millions*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

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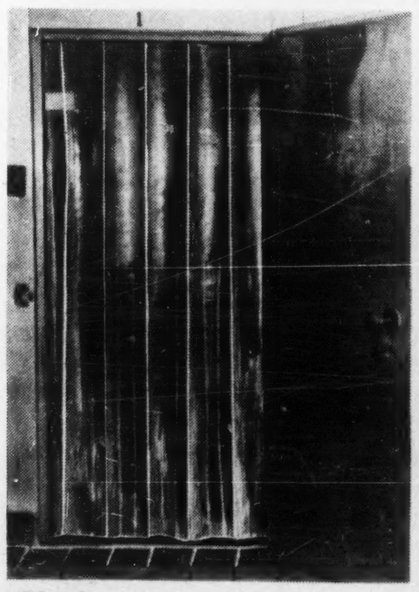

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Recycling: Old units reborn as new concepts

By Donald Frazier

Converting an old, outmoded concept into a new, exciting one has always been one of the independent restaurateur's favorite tactics to adjust to a changing market.

But now, many large national restaurant companies saddled with unprofitable units have discovered they, too, can do the same thing—albeit on a much larger scale.

Dubbed "recycling," this strategy has emerged over the last few years as a way to take advantage of established locations while avoiding the high costs of developing a new unit from scratch.

Companies as diverse as Chart House, Ponderosa, Bonanza and Sambo's have all created new concepts out of the ashes of old ones in recent years.

People's Restaurants, for example, was designed as a replacement for the Bonanza format in markets where it had become nonviable. Chart House created its new Mexican dinnerhouse concept, Cisco's Cafe, as a way to profitably use its Cork 'N Cleaver steakhouses where high prices had driven customers away.

The most prominent example of recycling among restaurant chains is Sambo's. In the 18 months since its bankruptcy and subsequent reorganization, the company has converted almost the entire system, over 600 units, to two new concepts, Pleaser's and Season's.

Recycling may become even more important in the future than it is now. Most operators recognize that today's success can become tomorrow's liability, and have begun to design buildings which can be easily converted to another format when the market changes.

The Chi-Chi's concept, for example, involves a design which can easily become something besides another Mexican dinnerhouse. The casual theme Bennigan's Taverns were also designed so that the units can be inexpensively altered.

(Continued on page 200)

Under new franchise agreement . . .

HoJo, Burger King team up on toll roads

By Charles Bernstein

MIAMI—Howard Johnson executive vice president Thomas Russo and Burger King chairman Norman Brinker signed a development agreement here last month for HoJo to be the exclusive Burger King franchisee in HoJo's nine-state toll road area and for any other toll road contracts obtained. (See Editor's Corner, Page 6.)

HoJo has 87 service plaza turnpike restaurants among its 800 restaurants and would like to diversify and expand this profitable segment of its food service. (A related story on motorist's increasing preference for fast food on turnpikes appears on page 82.)

The signing climaxed weeks of intense negotiations between HoJo and Burger King officials in a mutually beneficial deal. It represents the first really dramatic HoJo step taken since G. Michael Hostage assumed the presidency of the British conglomerate Imperial Group's Boston-based division from Howard B. Johnson 18 months ago.

"This gives Howard Johnson a quality fast-food vehicle for the toll roads," noted Brinker. "The toll road consumer wants quality fast food, and this is why we are pushing in this direction." (Burger King has launched two toll road units in Tennessee through its new Truck Stops of America franchisee.)

The agreement gives HoJo far more flexibility and bargaining power in bidding for toll road contracts since it can now project Burger King fast-food units as well as HoJo full-service restaurants, cafeterias and snack bars to give toll road travelers a wide choice.

For Burger King, the pact is a dramatic move into an area where McDonald's, Hardee's, Sky Chefs and others have been trying to gain headway. Certainly with consumers indicating they often view toll road food service as a "pit stop" and with highway travel moving back toward its previous peaks, the fast-food turnpike decision makes sense.

(Continued on page 200)

Present at the signing in Miami were (standing, left to right) BK chairman Norman Brinker, HoJo group vp John Delahunt, (seated, left to right) BK president Jerry Ruenheck, and HoJo exec vp Thomas Russo.

McD testing nonburger walkup unit

By Joe Edwards

MINNETONKA, Minn.—McDonald's is testing a new snack stand concept called McDonald's McSnack at the Ridgedale Shopping Center in this Minneapolis suburb. The low-investment walkup counter features quick-serve finger foods and desserts.

Though signs on the 500-sq.-ft. unit contain McDonald's logo and employees answer the phone with a typically cheery, "Hello, McDonald's," the unit does not have any seats and, more importantly, does not serve any hamburgers.

McSnack's menu does feature some traditional McDonald's products, including french fries, Chicken McNuggets, fruit pies, soft ice milk, sundaes, shakes, cookies, soft drinks and breakfast items.

The quick-service stand occupies a small storefront space at the shopping center, which is anchored by a large Dayton's department store. The center is open seven days a week.

It is believed by some industry observers that McDonald's is testing McSnack, with its low overhead and startup costs, to develop a concept that could be

(Continued on page 200)

Pier House discovers the key to success

By Charles Bernstein

KEY WEST, Fla.—A resort-restaurant complex at the southern tip of this idyllic southernmost key is churning out $10.5 million total sales on only 120 rooms and a bevy of restaurants and bars.

A full $6 million is in food and beverage, and the $4.5 million room revenues are yielding one of the highest returns per room (based on a daily $130 to $180 peak season room rate) of any hotel—$34,000 a room annually. An overall 92% occupancy rate—close to 100% in the peak winter season and perhaps 80% in the off-season—keeps things humming.

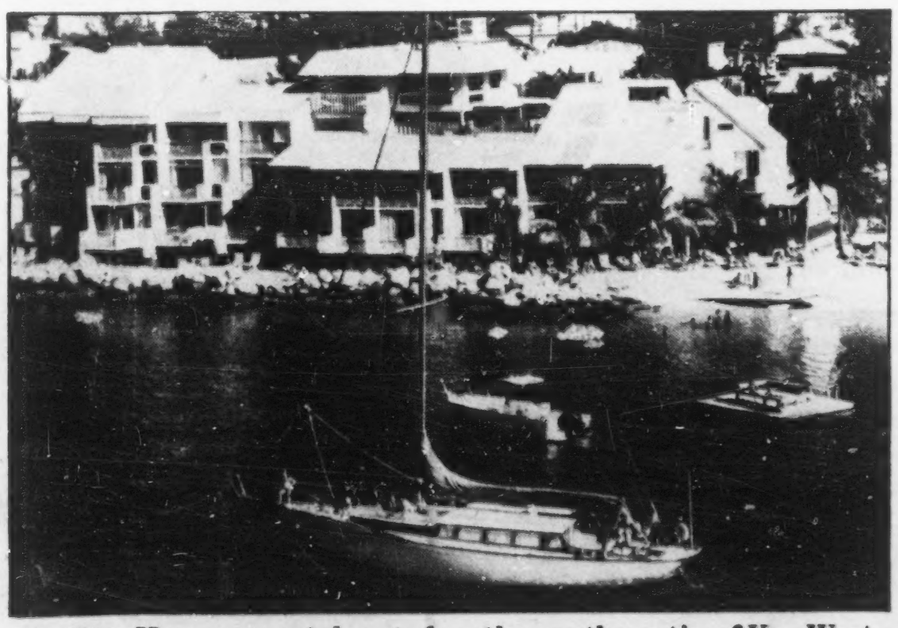
This Pier House resort is outdistancing many larger competitors on the lucrative tightly knit key with a combination of individual room and food merchandising and maximum service. With 29 supervisors, 160 food and beverage workers and 130 hotel employees at the Pier House Inn, there are actually at least three employees for each guest.

Individual promotional touches abound, such as waitresses carrying menu boards around the grounds inviting and urging customers to try the restaurant. Young talented graduates of the Culinary Institute of America can be found in major kitchen slots.

Just three years ago, the Pier House was going nowhere in particular. Total volume was only $4 million for the whole complex. But developers saw an opportunity, and a partnership of RAHN Properties, Fort Lauderdale, and Jacobs, Visconsi and Jacobs, Cleveland, acquired ownership. They brought in Peter Henry, an enterprising hotel and food-service veteran from Marriott Hotels, as general manager.

Henry carried out a one-year $5 million total facelift on the rooms and restaurants. Individual touches were added to

(Continued on page 197)



The Pier House resort, located on the southern tip of Key West, is churning out $10.5 million in total sales.

LATE NEWSBREAKS

Burger King has promoted Larry Kohler to operations executive vice president and Kyle Craig to executive vice president for marketing and communications. Kohler, 37, had been senior vice president for BK's pivotal Southeast-East division while Craig, 35, was marketing senior vice president. Both executives and chief financial officer Herbert Ihle, also an exec vp, will report to Burger King president and chief operating officer Jerry Ruenheck.

Holiday Inns reported a 9.1% net profit drop to $22.4 million on a 5% revenues increase to $349 million for the first quarter ended April 1, compared with the same period last year.

Jerrico, operator of 1,296 Long John Silver's fast-food seafood shoppes, achieved a 10% net profit gain to $4.5 million for the third quarter ended March 31, compared with the same period last year. Third-quarter revenues were up 6% to $109 million.

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Small chain sales gains outpace giants: study

By Ken Rankin

WASHINGTON—Small multiunit food-service operators with 10 or fewer outlets are giving the nation's large and midsize restaurant chains a run for their money, according to a new Government report on "American Eating Places."

Although the United States market share controlled by food-service "chains" (with 11 or more nonfranchised outlets) has tripled from 11% to 33% over the past two decades, smaller multiunit restaurateurs have posted even stronger sales-per-unit gains since 1977, the study found.

Over the past five years the smallest multiunit operators (those with two to four outlets) "experienced the greatest increase in average sales per establishment [up 77%], followed by firms with four to 10 outlets [65%]," according to new restaurant industry estimates released by the Agriculture Department's Economic Research Service.

In contrast, per-unit sales among chains with 11 or more restaurants rose at a somewhat slower (62%) clip between 1977 and 1982, while the increase for single unit independents was 54%, the report noted.

"The exceptional rate of increase in per-establishment sales of firms with two to 10 outlets may have been due to their ability to draw customers by projecting a unique restaurant personality, motif, or theme," U.S.D.A. researchers said.

In addition, multiunit operators with no more than 10 outlets are more flexible than their larger chain competitors, they reasoned.

While "they are large enough to gain advantage of size in purchasing and advertising," these operations remain "small enough to exercise direct control over each of their outlets and adapt quickly to changing market conditions and consumer preferences," the report noted.

In contrast, the U.S.D.A. researchers concluded the 54% average per unit sales gain attributed to single-outlet independents during the past five years may actually overstate the real growth performance of this segment.

Significantly, the study defined fast-food franchisees "affiliated with but not owned by McDonald's, Burger King . . . Wendy's" and other chains as independents rather than multiunit outlets.

The slower-than-average per-unit sales growth posted by single-outlet independents during the last five years is a sharp reversal of the trend from 1963-1977 when these small independents were outperforming chains in terms of sales growth per establishment, the report found.

Over the longer haul, the report—prepared by U.S.D.A. researchers Michael Van Dress and Judith Jones Putnam—con-

(Continued on page 200)

Slower growth, saturation predicted

Although consumers probably will continue to earmark a growing portion of their food dollar to eating out as "real" personal income rises in the future, "the food-service industry's rapid rate of expansion since the early 1960's appears to be yeilding to one of slower growth, and, in some areas, saturation."

That semigloomy long-range outlook reflects the latest thinking among Agriculture Department economists who recently completed an in-depth review of "American Eating Places" for the Department's Economic Research Service.

U.S.D.A. officials attribute the recent slowdown in overall food-service growth to "higher food, labor, and energy costs" since 1975 which have sent average menu prices rising 67% (vs. the 54% inflation rate for at-home foods).

"In addition, the increased costs of other goods and services, such as housing and medical care, which compete with food-away-from-home for the consumer's dollar, also may have slowed the growth of the food-service industry," the researchers said. "In fact, sales at eating places in 1980 and 1981, after adjusting for inflation, fell below 1979 sales."

Although "real" sales rose slightly during the first half of last year, the restaurant industry's inflation-adjusted dollar volume is still below the 1979 level.

"Industry strategy in the face of slower growth is likely to include price cutting; bigger advertising budgets for coupons, games, premiums, and other promotions; innovative menus; remodeling of store interiors; and an increase in mergers and acquisitions," U.S.D.A. predicted. "As competition for the consumer's dollar intensifies an increase in head-to-head advertising may be expected."

20 YEAR FOOD-SERVICE TRACK RECORD

Food-service Segment	1963	1967	1972	1977	1982
	(% of units)				
Fast food restaurants	21.9	28.8	37.5	42.3	45.3
All other eating places	78.1	71.2	62.5	57.7	54.7
	(% of sales)				
Fast food restaurants	14.6	19.0	30.3	37.6	38.7
All other eating places	85.4	81.0	69.7	62.4	61.3
	(sales per unit x $1,000)				
Fast food restaurants	49	63	114	204	280
All other eating places	81	108	156	247	367
Firm Size	(% of units)				
Single unit	90.8	90.4	85.3	80.0	76.4
2 to 3 units	4.0	3.0	4.0	3.9	3.9
4 to 10 units	1.4	1.6	2.4	3.3	3.9
11 or more units	3.8	5.1	8.4	12.8	15.8
	(% of sales)				
Single unit	80.4	77.4	65.9	59.5	52.5
2 or 3 units	5.8	5.3	6.3	6.8	7.1
4 to 10 units	2.9	3.7	4.7	6.1	7.2
11 or more units	11.0	13.6	23.2	27.6	33.2
	(sales per unit x $1,000)				
Single unit	55	68	93	146	225
2 to 3 units	91	142	189	340	601
4 to 10 units	127	185	238	364	599
11 or more units	180	214	332	425	688

Source: U.S. Census of Business, 1963-77; U.S.D.A. Economic Research Service estimates for 1982.

Note: U.S.D.A. figures cover all "eating places (SIC 5812 establishments with payrolls) which derive most of their revenue from the sale of prepared meals and snacks for on-premises or immediate consumption. Food-service sales in hotels and other nonrestaurant establishments are not included.

Garrett named Chock Full o'Nuts president, chief operating officer

NEW YORK—With a proxy battle simmering on the back burner, Chock Full o'Nuts has named a new president.

Gordon Garrett, marketing vice president for the Clearwater, Fla.-based Eckerd Drug chain, was named to fill the post vacated after the death in March of Chock's founder and chairman, William Black.

When Black died at the age of 80, Dr. Leon Pordy, a cardiologist who was Black's personal physician and president of Chock, became chairman and chief executive.

Pordy immediately said he was initiating a search for a president and seemed to be moving the company toward a better realization of its assets.

Chock operates some 25 low-priced lunch counters in New York, which are something of an institution here. About 80% of its sales and earnings come from its coffee roasting and marketing business.

Jerry Finkelstein, the New York financier who led the unsuccessful takeover battle, has reemphasized that his fight for control was not over.

Garrett, 46, who will be chief operating officer, is a member of Eckerd's management board. Previously, he was president of the household division of the American Cyanamid Co., and earlier was marketing vice president for Warner-Lambert's American Chicle div.

Caruso named Red Lobster vp

ORLANDO, Fla.—Raymond Caruso, former communications vice president at McDonald's Corp., has joined the 350-unit Red Lobster chain as marketing vice president.

He was a McDonald's executive for many years, serving also in marketing and product development.

ShowBiz scouting new investors

DALLAS—Brock Hotel Corp. says it hopes to keep expansion plans alive this year for its ShowBiz Pizza Place concept by getting outside investors to pay for land and buildings while it signs on to run the restaurants for a management fee.

Past expansion of ShowBiz has already saddled Brock with a heavy long-term debt, and this was apparently a powerful motivator in the genesis of the new plan, common in the hotel business, but Brock's first use of off-the-balance sheet financing for restaurants.

In addition to employing the new financing technique to new restaurants, the company also hopes to work a sales-lease-back-type arrangement for 20 to 30 existing company stores, creating a similar arrangement for them.

And, to raise some cash for debt retirement, officials say they plan to sell eight Holiday Inns but retain management contracts for the operations.

The company hopes to reduce the break-even point of a ShowBiz by allowing outside investors to foot the bill for land and building costs. In some cases, break-even is expected to be lowered by as much as 40%.

In the past Brock has financed new store openings with short-term debt and lease packages. The new deal decreases the company's debt but will also decrease the amount of profit they can collect.

In real terms, the savings represented by the joint venture depends on the size of the unit. An average store might see the break-even sales per week figure drop from $18,000-$20,000 to approximately $13,000-$16,000 for a 10,000-sq.-ft. store. The figures would be different for smaller (6,000-sq.-ft.) and larger (16,000-sq.-ft.) units.

The break-even point will be

(Continued on page 199)

Grace eying L.A. independent

LOS ANGELES—W. R. Grace was negotiating at presstime for acquisition of a major independent restaurant operation here. The high-volume, Los Angeles-based target company, which operates fresh seafood and barbecue restaurants locally, would reportedly be set up as an operating division to spearhead possible national expansion of its concepts.

Grace restaurant officials could not be reached for comment, and the Los Angeles company asked that it not be identified, pending finalization of an agreement.

Grace now operates about 607 restaurants, which last year contributed $8.5 million in after-tax operating profit to the diversified company's overall net of $319.5 million on sales of $6.1 billion.

HIGHLIGHTS IN THIS ISSUE

6 Are large corporations squeezing mom and pop operators out of franchise opportunities? *NRN* editor Charles Bernstein laments this growing trend in his Editor's Corner this week.

12 What *is* American Cuisine? At the second annual Symposium on American Cuisine held recently in New Orleans, the purists and the innovators each offered their own definitions.

22 Mr. Gatti's, a 278-unit pizza chain, has developed an on-premises catering operation aimed at family entertainment.

52 There are good points to be made for featuring local wines, notes Wine & Spirits columnist Mort Hochstein.

56 RA is breaking new grounds—public gardens—and trying to hold ground—in New York—in two stories on this diversified food service chain.

58 "Losing the day or shift receipts to some creep with a .38 is the least of the problems caused by stick-ups," warns new *NRN* security columnist Ray Johnson. An ex-con himself, Johnson explores the nature of armed robbery and offers some solid advice on keeping criminals off your back.

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Chains recycling old units into new concepts

(Continued from page 1)

"The people who run big chains—and especially the people who invest in them—are becoming sensitive to two facts," one observer explained. "The first is that these things—these restaurants—are expensive, and you want to get the most out of your investment for the longest period of time.

"And the second is that fashions change very rapidly in this business. Particularly with some of the faddier concepts. You're talking about a relatively short lifetime before the concept is old-fashioned and passé.

"The obvious answer to this is to somehow make good on your investment even while styles change. Voila! The free-form restaurant is born."

Several factors have caused the large chains to develop their new concepts in the shells of their old ones instead of in new buildings.

The first is obvious: The old ones weren't there. Until recently, most large restaurant chains were young enough to concentrate on the concepts which gave them their initial growth.

The Cork 'N Cleaver concept, for example, was one of the hottest in the country, leading Chart House to acquire it in the mid-1970's. But soon dramatic rises in meat prices undercut the concept's selling point—affordable steaks. After a few years of trying to alter the Cork 'N Cleaver formula, Chart House decided to replace it in many markets with an entirely new concept, a Mexican-style dinnerhouse.

The new concept, Cisco's Cafe, now occupies about 13 former Cork 'N Cleaver buildings, leaving 40 units operating as steakhouses.

The inevitable shifting of tastes and markets can also lead a company to design a new concept for its old buildings.

Dallas-based People's Restaurants, for example, was born when a large number of Bonanza's budget steakhouses began to lose the business of the blue-collar single-paycheck families who had been their mainstay.

To find a profitable use for the buildings in these markets, Bonanza's then-president, Don Thomson, devised the People's concept. He intended this restaurant format to appeal to a wide spectrum of customers instead of one specific sliver of the market.

To Bonanza's surprise, the People's concept did so well that it was severed from the company and began to develop on its own. Now, the chain numbers 28 units, 15 of them former Bonanzas, which post annual unit sales of more than $1.4 million.

Some companies use recycling as a low-cost way of jumping on a particularly attractive bandwagon. Ponderosa, for example, has converted two of its budget steakhouses into a Mexican-style dinnerhouse concept called Casa Lupita.

Ponderosa, saddled with a number of marginal stores among its nearly 700 budget steakhouses, sought a Mexican-style concept because these restaurants have established a reputation for high profitability in the Midwestern markets.

Sambo's embraced recycling not as an experiment in a second concept but as a way to entirely transform itself. In the throes of bankruptcy, the company decided to convert its units to two new concepts in order to break completely with the past.

Season's, the principal replacement concept for the company's 618 units, differs from Sambo's mainly in superficial ways, such as signage, decor and menu, while remaining essentially a coffee shop.

Chains have found that recycling their operations can be either very expensive or relatively cheap, depending on how far the new concept diverges from the old one.

Converting a standard Bonanza into a People's restaurant, according to Thomson, is "a 180-degree turnaround" which costs an average of $400,000 per unit. He explained the typical Bonanza has a simple floorplan designed around a cafeteria line and a large, open dining room, while the typical People's is much more complex, with a bar and lounge area set off from but still part of the larger restaurant.

The Bonanza units require uncomplicated storage reflecting their meat-oriented menu. But a new People's, Thomson said, should have much more storage space because it serves a larger and much more diverse number of items.

Recycling a Bonanza restaurant also requires a great deal of interior reconstruction to let in light. Thomson said that most Bonanzas were built on the premise that people want a dark, cozy-looking restaurant interior. The People's restaurant, however, involves a much lighter and more open feel.

"We had to knock out a few walls to let in enough light to let the design work the right way," Thomson said.

The two Casa Lupita conversions cost Ponderosa $800,000 and $440,000. Edwin Ourant, vice president of the company's specialty restaurant division, explained Ponderosa wants each renovation to be as much as possible like a free-standing restaurant and not just a Ponderosa steakhouse with a different sign and decor.

The conversions of Ponderosa usually involve the installation of much new equipment. They also reduce the units' seating capacity per square foot for Casa Lupita's more spacious feel. But they can also require more seating to accommodate the anticipated swell in business.

The result: Most additional Casa Lupita conversions, just as one in Fort Myers, Fla., will probably require substantial expansion of floor space as well as rearrangement of existing floor space.

The Sambo's conversions may be the least expensive of any of the recent spate of recycled restaurants. Although the company refuses to comment on this, its officers have said turning a Sambo's into a Season's costs only $25,000—an amount which, they claim, takes in new signage, redecoration and new kitchen equipment.

The modest scale of the Season's rehabilitations owes to the recent history of the chain. Robert Luckey, its new president and chief executive officer, has said only an entirely new identity would allow his company's restaurants to escape the onus of the financially troubled past.

But the other recycling schemes may have a less prominent place in the long-term strategies of their parent companies.

People's, now entirely independent of Bonanza, is seeking to expand into low-cost "strip-center" locations, not the old Bonanza units of its inception.

The Cork 'N Cleaver steakhouses which escaped the initial purge are now doing well enough to avoid conversion into Cisco's Cafes, a company spokesman said. And Ponderosa's Ourant said the company has no plans to continue the conversion of budget steakhouses into Casa Lupitas.

A few of the executives of chains dabbling in the renovations and those who observe them suggest that, for many chains, recycling may have been a temporary adjustment to changing market conditions in the Midwest and the search for new concepts at a time of high interest rates.

But others predict the pace of such development will accelerate as many of the older concepts lose their following and the supply of good sites diminishes.

"We're seeing far more than a short-term phenomenon," one executive said. "In the future, there's just no way you can just throw out more and more buildings as soon as you get new ideas of what to put into them. You're going to have to deploy your assets more sensibly."

HoJo, Burger King form new toll road team

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Burger King previously found an excellent outlet for its units in bus terminals, through an agreement with Phoenix-based Greyhound Food Management. GFM operates 27 of the higher volume Burger Kings as a franchisee.

HoJo's current toll road locations are in Massachusetts, Maine, Connecticut, New York, Pennsylvania, West Virginia, Ohio, Illinois and Oklahoma. It would like to pick up momentum on these and other locations, all of which are strictly food service and do not involve Howard Johnson motor lodges.

"We're looking for a blend between our Howard Johnson restaurants, cafeterias and snack bars and Burger King fast food," said Russo. Our HoJo restaurants and the Burger Kings each will have separate managements." (HoJo is likely to go outside for a top executive to run its Burger King franchise division.)

The way Russo sees it, the new commitment "shows our responsiveness as a consumer-marketing company as opposed to a manufacturing approach where the product is provided based on what the company wants rather than based on consumer needs. We're now a full operating company."

Neither Russo, Hostage nor anyone else would disclose profit figures for the Imperial Group division. Russo said he does hope HoJo will capitalize to a maximum degree on the vertical integration available under his jurisdiction—company and licensed Howard Johnson restaurants, some 200 Ground Rounds, institutional and vending operations, company motor lodges, manufacturing, distribution and purchasing.

Already there has been a realignment of the restaurant and motor lodge combinations (not on toll roads), with one general manager having full control of both, encouraging a more integrated approach. HoJo has some 500 company and franchised motor lodges and hotels.

HoJo's turnpike restaurants themselves have undergone a transformation, with wider more diversified menu selections and brighter decors.

"The customer today wants a mixture of different food service on the toll roads," said John Delahunt, HoJo's group vice president for vending and turnpike operations. "Most likely, Burger Kings will be interspersed with HoJo's in their respective separate locations along turnpikes. Customers will appreciate the variety and choice."

Burger King turnpike menus will be virtually the same on the toll roads as in other locations. But the building structure will not be a typical Burger King, as it has to conform with turnpike regulations.

Timothy Johnson, Burger King institutional development director, said in most cases, signs along the highways would advertise both the Burger King and Howard Johnson locations. "If five locations are available in a turnpike stretch," he said, "perhaps Howard Johnson would put in separately a couple of Burger Kings, a restaurant, a cafeteria and a snack bar."

McDonald's testing nonburger 'snack' unit

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placed in areas where a traditional McDonald's restaurant is not feasible. An average McDonald's unit costs $750,000 for land, building and equipment.

McDonald's also is testing dessert centers in other areas of the country. Similar to McSnack, the dessert centers are situated in front of regular McDonald's storefront and mall restaurants and are designed to attract customers who want a snack but do not want to go into the unit.

McSnack is believed to be the first new concept McDonald's has tested since its ill-fated attempts to develop Jane Dobbins Pie Shops and Ramon's upscale burger restaurants many years ago. But those concepts were different from McSnack in that they were not associated by the public with McDonald's.

The Oak Brook, Ill.-based fast feeder began testing Mini-Mac drive-through-only units in 1978. Those offer regular McDonald's menu items.

McDonald's regularly tests new menu items in different areas of the country, but very few survive beyond the test stage. McDonald's over the years has tested yogurt, salad bars, fried chicken, various sandwiches, and other items.

The chain's last successful rollout was in 1977 when it introduced its breakfast menu nationwide. The last successful single menu item was the Quarter Pounder burger.

McDonald's is currently evaluating the sales performance of its two newest products, Chicken McNuggets and the McRib sandwich. A McChicken sandwich was dropped from menus in about 3,000 units earlier this year. In 1981, the chain dropped its chopped beefsteak sandwich which had been rolled out nationwide but performed poorly.

Small chain sales gains outpace giants, study shows

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firms the generally accepted fact that restaurant chains have made major inroads into the national market share of independent food-service operators.

In 1963 single-unit establishments accounted for a solid 80% of all United States eating place sales. By 1972 the independents' share had dropped to only 66%, and the latest U.S.D.A. estimates (for 1982) peg single-unit dollar volume at only 53% of the industrywide total.

In contrast, medium- and large-size chains with 11 or more company-owned outlets increased in total United States market share from 11% 20 years ago to 23.2% in 1977, and to one third of all eating place sales last year, according to Van Dress and Putnam.

Over the past two decades chain sales per establishment climbed from an average of $180,000 to $688,000—an increase of $282%. During that same 20 year period, sales per outlet among single-unit operators rose 309%, from an average of $55,000 in 1963 to $225,000 last year.

The biggest gainers, however, were the smaller multi-unit operators with fewer than 11 outlets.

Per-unit sales for small food-service firms with four to 10 establishments jumped 372% during the last 20 years, from an average of only $91,000 to $601,000. Smaller restaurant operators with only two or three establishments posted the best long-range record of all, with per-unit dollar sales increasing from $91,000 in 1963 to $601,000 last year—an overall growth rate of 560%.

The report, which was released as part of U.S.D.A.'s most recent National Food Review, also found:

- "Americans spent 37¢ of each food dollar at sit-down service restaurants, fast-food outlets, and other food-service operations" in 1981—up from only 26¢ in 1960;
- Total United States spending for "food away from home" jumped more than 530% from $19 billion to $120 billion during that same 21-year period;
- Fast-food outlets increased from less than 40,000 units in 1963 to 122,552 last year, and today this segment rings up 2 of every 5 food-service dollars (vs. 1 in 7 two decades ago);
- The number of establishments with "waiter-waitress service at counters and booths" declined sharply since 1963, from 23% of all American food-service outlets 20 years ago to only 10% in 1982;